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Chairman's Report

By Lou Bratton

In our daily practice we are, from time to time, contacted by our clients requesting opinions about properties of which we may or may not be familiar. The client generally calls you and requests a drive-by with the understanding that you can "ball park" or give an opinion as to what you think about a value an owner has submitted to their lending institution. The client states, "We really don't need an appraisal at this point because we don't want to spend the money if the property will not 'comp out.'" You might agree to perform some research or check your database to see what's available. From your research you conclude that the value the owner submitted is within range, and thereafter you call your client back and give them the information. Your client at this point may give you the "go ahead" to prepare an appraisal report for the subject property.

In these situations, we need to be careful not to imply or recite a value or range. Further, we should not report to the client that a value is less or greater than an amount. If you report a value in this manner, you have performed an appraisal. Referring to the Uniform Standards of Professional Appraisal Practice 2002 (USPAP), lines 16 through 18;

An appraisal must be numerically expressed as a specific amount, as a range of numbers, or as a

relationship (e.g., not more than, not less than) to a previous value opinion or numerical benchmark (e.g., assessed value, collateral value).

This definition indicates that a "ball park" number or "comp out" of real property is an appraisal. The ethics rule states that we, as appraisers, should perform real property appraisal assignments ethically and competently in accordance with USPAP and any supplemental standards. We must not engage in criminal conduct and perform our assignments with impartiality, objectivity, and independence, and without accommodation of personal interests.

In these situations, an appropriate action would be to perform a Limited Appraisal-Restrictive Use report under the guidelines of Standards 1 and 2 of USPAP which could be updated to a Limited Summary or Self-Contained report or to a Complete Restrictive Use, Summary or Self-Contained report. Bear in mind that you will need to state in the restrictive-use report that any allowable departures from the standard rules might affect the reported value.

In summary, the fast-paced lending climate has increased coercion or pressure for appraisers to "make the number." These requests for "ball park" numbers or submission of comparable sales before the assignment engagement are sometimes a test to see who gets the job. This is not to indicate that all lending institutions or clients are looking for values that accommodate their lending ratios, but you should be aware of these tactics. Remember to check out your lending institutions, especially new ones with which

you have not done business, in the same way they check you out. They want to know if you are qualified to perform appraisal assignments for them. You might want to know if they're qualified to conduct lending under federal regulations. A good test is to find out how long they have been in business. Don't hesitate to ask questions. You are highly trained professionals and your services have value; demand that users of your services pay a fair price for them. You don't have to make the number in order to get the job.

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Chairman Robert Sain

Thank You! That is the one thing that I want to express as my year as your Chairman has come to a close. It has been an honor to serve our profession in such a challenging position over the past six years. I always looked at my position as a way of helping others and serving you the appraisers and applicants across this state. I have met and worked with many dedicated individuals, and I have had the opportunity to serve with appraisers and public members that I will always respect. Together, I feel we have taken a step forward and have opened the door of opportunity to many appraisers and applicants throughout this state.

One of my goals throughout my tenure was to make the commission more accessible and to increase the applicants' comfort level during the interview process. In order to achieve this goal, we had to have help from our educators, especially our local chapters representing appraisal organizations and our proprietary schools. Combined with the assistance from our courteous staff, our newsletters, and meetings with educators, I feel this goal has been accomplished. It appears that applicants are better prepared for the interview and more comfortable with the commission. Tennessee appraisers and applicants are fortunate to have such qualified individuals within the educational field, both through appraisal chapters and within our local schools. I want to personally thank our educators for a job well done! Keep up the good work!

As Bill, Polly and I leave the commission, again, three very capable individuals have been appointed. I hope that they enjoy serving and working for the betterment of our profession as much as I have. I'm sure this next year will be exciting and successful, working under the leadership of Lou Bratton, whom I have enjoyed meeting and working with over the past year.

In closing, I would like to especially thank our Director, Sandy Moore, and her staff. I'm sure all the commissioners would agree that our job is much easier due to their efficiency. It's nice to get compliments on our staff, and each of us continues to hear nice things about the job they do for our appraisers across this state.

Once again...thank you!

USPAP CHANGES FOR 2003

Danny Wiley, Chairman, ASB

At a public meeting held in July 2002, the Appraisal Standards Board of the Appraisal Foundation adopted changes to USPAP that will become effective January 1, 2003. For most real property appraisers, the most significant changes will deal with:

- Reporting of current listings and prior sales of the subject property,
- Appraisal review assignments, and
- Updating of prior appraisals.

USPAP has always required appraisers to analyze prior sales and current listings of the subject property. Under the current requirement, appraisers must analyze sales of the subject property occurring within the past year for one-to-four family properties, and over the past three years for all other property types. Effective January 1, 2003, real estate appraisers will be required to analyze sales occurring within the past three years for all subject properties, including one-to-four family homes. If a property has sold more than once, then **all** sales must be analyzed.

Some organizations have supplemental standards that require additional analysis. For example, Fannie Mae requires an appraiser to analyze the last sale of the subject and the last sale of all comparables, regardless of when the sales occurred. Assignments for some federal agencies require a ten-year sales history. Because a violation of a supplemental standard is also a violation of USPAP, an appraiser must be aware of, and comply with, all supplemental standards that apply to an assignment.

STANDARD 3 in USPAP addresses appraisal review assignments. In the past, this Standard applied only to real property and personal property assignments. It has been modified to apply to all appraisal disciplines. Changes were also made to clarify that in a review assignment, just as in an appraisal assignment, the reviewer must decide the appropriate scope of work. Also, if the reviewer derives a value opinion that differs from the value opinion in the original report, then the reviewer's analysis must be presented in a format that is consistent with the content of at least a Summary Appraisal Report.

Advisory Opinion 3 was changed to clarify that an "Update" of an appraisal is simply a new appraisal. When performing an "Update" an appraiser must comply with all the

Rules, STANDARDS, and Standards Rules that apply to any other appraisal assignment. Again, appraisers must also be aware of any supplemental standards that apply.

This article is intended to provide only brief descriptions of the major changes to USPAP for 2003. More detailed information, including the rationale for making the changes, can be found in the "Summary of Actions" report that was issued by the Appraisal Standards Board. This report has already been sent to all subscribers of The Appraisal Foundation. The "Summary of Actions" report is also available on the web site of the Tennessee Real Estate Appraiser Commission under "Newsletters."

CHANGES TO REQUIREMENTS FOR USPAP EDUCATION

Danny Wiley, Chairman, ASB

Beginning in 2003, there will be major changes in the continuing education requirements relating to USPAP. These changes significantly affect both appraisers and instructors.

Currently, all licensed and certified appraisers must attend a fifteen hour USPAP class at least once every five years. **Beginning in 2003, appraisers will be required to attend a seven-hour USPAP update class at least once every two years.** The update class must be the one promulgated by the Appraisal Foundation, or one that the foundation has deemed equivalent. All appraisers should be mindful of this new requirement as they plan their continuing education.

Instructors must also meet new guidelines. In order for students to obtain credit for their USPAP classes, the instructor must be certified by the Appraiser Qualifications Board. **This requirement applies to all instructors, regardless of their current status with any school or professional organization.** In order to become a certified USPAP instructor one must pass a rigorous course in USPAP concepts. These classes are currently being presented at various locations around the country.

More information on "The Program to Improve USPAP Education," including a list of certified instructors and a schedule of instructor certification classes, can be found on the Internet at :

www.appraisalfoundation.org

NEW COMMISSION MEMBERS

Jerry Shelton is president of Shelton & Associates, Inc., a real estate appraiser firm since 1978. Located in Atwood, Shelton and his two sons, Steve and Stan, appraise real estate throughout West Tennessee.

Mr. Shelton is a member of the National Association of Independent Fee Appraisers with an IFA designation. He has served the Jackson, Tennessee chapter as secretary, treasurer, vice president and president.

He is a former board member of the Atwood Special School District and helped with the formation of West Carroll Special School District serving as board chairman in 1983-84. Mr. Shelton is an elder of the Atwood Church of Christ and a member of the Freed-Hardeman University President's Advisory Board.

A 1961 graduate of Jonesboro High School, he attended Arkansas State and numerous appraisal institutes and courses during his professional career. He worked with CIT Financial Service in Milan, from 1967 to 1977, later becoming a branch manager. He worked with the Credit Bureau of Paris from 1977 to 1981. He started his own business from ground zero in Atwood, in 1982 and now employs four persons. He trained both of his sons, who graduated from Freed-Hardeman University, to be appraisers.

He and his wife Janice, enjoy their grandchildren, gardening and sports.

John A. Bullington was born in Baltimore, Maryland in 1943. His parents, Cecil and Naomi Bullington, both Greene County Tennessee natives, returned to Greene County in 1946. He is a graduate of Greeneville Tennessee High School and Milligan College where he received a Bachelor of Science Degree. He taught in the Johnson City Tennessee School System for two years and also composed articles for the Jonesborough Herald and Tribune. Following his teaching years, John worked as a real estate developer for 15 years in Johnson City.

He worked as a consultant with a local architectural firm for 8 years and also served as advisor for Milligan Housing for the handicapped and Elderly, Mountain Meadows Development Property and M&M Properties. He began fee appraising in 1990 and has, as his client base, over 12 local and regional financial institutions and a number of area law firms. He also consults with private real estate and commercial developers.

Bullington also holds a real estate brokers license and is a licensed Certified General real estate appraiser. His credits in

continuing education include extensive course work within the Tennessee Real Estate Education System, McKissock Data Systems, American Planning Institute, Appraisal Institute, Auburn University and TAPA.

He is a past president of the Johnson City Rotary Club, a Paul Harris Fellow and past conference chair of the District 757 Rotary Annual Conference. He founded the ETSU Classic, a fund-raiser for the Men's Golf Team. John has served two years as chairman of the Johnson City Regional Planning Commission where he served two three-year terms, and is past Chairman of the Research Task Force on Tourism and Cultural District Task Force for the city of Johnson City.

A member of St. John's Episcopal Church, he served as a member of the Vestry and as a member of the building committee. He is presently serving on the Property Management Committee for the Episcopal Diocese of East Tennessee. He has served on the Woodstone Council of Homeowners Board of Directors and is past facility Chairman for Small Miracles Therapeutic Riding Center.

He currently serves on the Board of Zoning and Appeals and has been past Chairman of the same. Bullington was elected to serve on the Board of Directors for the Tennessee Golf Association in 2002. He resides in Johnson City, Tennessee and is married to the former Jo Anne Paty of Bristol. He has two children, Nicole T. Bullington of Johnson City, and John A. Bullington, Jr. of Knoxville, Tennessee. He has one granddaughter, Kelsey Morgan Cloyd, also of Johnson City.

COMMENTS ON REPORTING AND DEVELOPMENT

**Paul Sampson, Past Commission Member
and Chairman**

The Commission has received numerous inquiries regarding the use of certain appraisal forms for reporting purposes. Most of these forms involve departures from Standards Rule 1 and are supplied by the client. Both the Tennessee Real Estate Appraiser Commission and the Appraisal Standards Board have historically taken the position not to approve or disapprove any particular form for reporting purposes.

USPAP has evolved over the years to include several different reporting formats to include

1. Self Contained Appraisal Report
2. Summary Appraisal Report
3. Restricted Use Appraisal Report

Requirements for each type of report are detailed in Standards Rule 2, and it is noted that the report content and level of information requirements set forth are minimums for each type of report. An appraiser must supplement a report form, when necessary, to ensure that any intended user of the appraisal is not misled and that the report complies with the applicable requirements set forth in Standards Rule 2. Care should be taken when utilizing the Restricted Use Appraisal Report as this reporting format is designed for Client use only and is not appropriate if the appraisal is to be relied upon by any other party.

In response to a changing economic environment, Standards have also evolved to allow for Limited Reports with certain departures from specific requirements of Standards Rule 1 (no departure is permitted from Binding Requirements). Departure is not appropriate from a Specific Requirement considered to be both applicable and necessary when:

1. it addresses factors or conditions that are present in the given assignment; or
2. it addresses analysis that is typical practice in such an assignment; and
3. lack of consideration for those factors, conditions, or analyses would significantly affect the credibility of the results.

Note that the Departure Rule applies only to Standards Rule 1 in development of the appraisal and there are no permitted departures from Standards Rule 2 reporting requirements. Standards do allow for appraisals with different levels of reliability but they do not allow for appraisals with different levels of credibility. The appraisal process cannot be so limited that the results of the appraisal assignment are no longer credible. Standards Rule 2-1 requires each written appraisal report to:

- a) Clearly and accurately set forth the appraisal in a manner that will not be misleading;
- b) Contain sufficient information to enable the intended users of the appraisal to understand the report properly; and
- c) Clearly and accurately disclose any extraordinary assumption, hypothetical condition, or limiting condition that directly affects the appraisal and indicate its impact on value.

The appraiser should not assume that if a particular appraisal form is supplied by a client, then it is appropriate for use in that particular application. Some of these forms appear to be Limited Restricted Reports that are labeled as Limited Summary Reports. The forms state that departures from Specific Requirements have been made as allowed under Standards Rule 1 but do not explain why the departures were made and if they are appropriate for the given assignment. Some assignments also call for the appraisal to be completed in the appraiser's office without the benefit of a property inspection. A logical question to ask would be: Can I produce a credible appraisal report under these conditions? Departures are not allowed if they result in a less than credible appraisal report. Particular reference should be made to Standards Rule 1-2.

In developing a real property appraisal, an appraiser must:

(e) identify the characteristics of the property that are relevant to the purpose and intended use of the appraisal, including:

(i) its location and physical, legal and economic attributes

If hypothetical or extraordinary assumptions are utilized, one must remember they must result in a credible appraisal report. The appraiser should remember that he or she is ultimately responsible for ensuring that any appraisal report is developed in compliance with Standards Rule 1 and reported in compliance with Standards Rule 2.

Trainee Sponsors Beware!

A certified appraiser sponsoring a trainee should be mindful of Rule 1255-5-01(6) which establishes a sponsor's responsibility:

(6) The appraiser shall sign each written appraisal that he or she prepares, in accordance with the "Uniform Standards of Professional Appraisal Practice." The appraiser shall not affix his or her signature to any written appraisal report relating to real property in this state which was not prepared under the appraiser's direct supervision.

(a) An appraisal report will be deemed to have been prepared under the direct supervision of an appraiser only when:

1. The appraiser supervises and is involved in the preparation of the report and has input into and full knowledge of the report prior to its completion and
2. The appraiser has the authority to, and does, make any necessary and appropriate changes to the final report.

Trainees should not be signing any reports without the sponsor's review of work completed.

THE LICENSURE PROCESS

The steps which are required to become state licensed or certified are:

1. Take a Commission-approved 30-hour course in Appraisal Principles and a 15-hour course in USPAP.
2. A certified appraiser who has been certified for at least two years must agree to sponsor a trainee applicant.
3. Submit a trainee application with a fee of \$125. If the application and requirements are complete, a trainee registration will be issued.

Optional While Training

- a. Upon completion of **all** required education for either a license (90 hours) or certified residential (120 hours), a trainee may submit an additional trainee application with an exam fee of \$50. Examination materials will be sent, and the trainee schedules the examination with Promissor. **Note:** A trainee may not be approved to take the certified general examination prior to completing all of the experience requirements.
 - b. Upon completion of a minimum of 500 hours of experience, a trainee may submit a copy of the experience log. Appraisal reports will be selected for review by the Commission, and the trainee will be invited to a meeting to discuss those reports and offered guidance in conducting future appraisals.
4. After completion of all required education and experience requirements, a trainee submits an application for a license or certificate with a fee of \$125.
 5. Reports will be chosen from the experience log for review.

6. An interview will be scheduled for the next available meeting. To assure placement on the next meeting agenda, applications must be received at least one month prior to the scheduled meeting date. Please note that some meetings may be canceled.
7. Upon approval of the application by the Commission, examination materials will be mailed out to those who have not previously taken the exam. For those who have taken the exam, the score sheet and licensure fees must be submitted, and a license/certificate will be issued.

Testing Company Changes Name

Assessments Systems, Inc. (ASI), the testing company which has been the vendor for appraiser examinations in Tennessee since the inception of licensing, has now changed its name. The expanded company is now Promissor.

Applicants taking the examination should not see any notable differences in the examination process.

USPAP Q&A



APPRAISAL STANDARDS BOARD

Question: For a real property appraisal, I know that USPAP requires an appraiser to develop a reconciliation of the approaches to value that are used in an assignment. Does USPAP require the appraiser to reconcile the data utilized within each approach to value?

Response: Yes. Standards Rule 1-5(c), a binding requirement, states, *In developing a real property appraisal, an appraiser must:* reconcile the quality and quantity of the data available **and analyzed within the approaches used** and the applicability or suitability of the approaches used. *Comment: See the Comments to Standards Rules 2-2(a)(ix), 2-2(b)(ix), and 2-2(c)(ix) for corresponding reporting requirements.*

Question: Is the main function of USPAP to protect appraisers?

Response: No. The first paragraph of the PREAMBLE states; *The purpose of these Standards is to establish requirements for professional appraisal practice, which includes appraisal, appraisal review, and appraisal consulting, as defined. The intent of these Standards is to promote and maintain a high level of public trust in professional appraisal practice.* Although the main purpose is not to protect appraisers, appraisers do receive significant benefits and protection from USPAP. It establishes requirements for impartiality, independence, objectivity, and competent performance. Because of these standards, appraisers who comply with USPAP are viewed as unbiased professionals whose work is worthy of public trust.

Question: USPAP requires appraisers to report the scope of work undertaken in each appraisal assignment. The detail required varies by reporting option. Is there a similar requirement for an Appraisal Review assignment?

Response: Yes. Standards Rule 3-2(c), a binding requirement, states; *In reporting the results of an appraisal review, the reviewer must: state the nature, extent, and detail of the review process undertaken (i.e., the scope of work) identified in accordance with Standards Rule 3-1(c).*

Question: USPAP requires appraisers to include a description of the scope of work in each appraisal report, the detail of which varies by reporting option. Is there a similar requirement for appraisal review reports?

Response: Yes. Standards Rule 3-2(c), a binding requirement, states that in every appraisal review report the reviewer must *state the nature, extent, and detail of the review process undertaken (i.e. the scope of work) identified in accordance with Standards Rule 3-1(c).* Standards Rule 3-1(c), also a binding requirement, states, in part: *In developing an appraisal review, the reviewer must: identify the scope of work to be performed;* *Comment: A reviewer must take appropriate steps to identify the precise extent of the review process to be completed in an assignment. A reviewer must have sound reasons in support of the scope-of-work decision, and the resulting opinions and conclusions developed in the assignment must be credible and consistent with the intended use of the review. In making the scope-of-work decision, the reviewer must identify any extraordinary assumptions necessary in the assignment. An extraordinary assumption may be used in an appraisal review assignment only if: it is required to*

properly develop credible opinions and conclusions; the reviewer has a reasonable basis for the extraordinary assumption; use of the extraordinary assumption results in a credible analysis; and the reviewer complies with the disclosure requirements set forth in SR 3-2(d) for extraordinary assumptions. The appraisal review must be conducted in the context of market conditions as of the effective date of the opinion in the work being reviewed. Information available to the reviewer that could not have been available to the appraiser as of or subsequent to the date of the work being reviewed must not be used by a reviewer in the development of an opinion as to the quality of the work under review.

Question: I am an appraiser performing an appraisal, appraisal review, or an appraisal consulting assignment. I am required by law, regulation, agreement, or choice to follow USPAP. Is this still true if I do not charge a fee for my service?

Response: Yes. The applicability of USPAP is not affected by the amount of the fee, or lack of a fee.

Question: A client asked if I would be willing to reduce the fee for appraisals in cases when the loan did not close if the client agreed to pay extra for other assignments. Would this practice be ethical?

Response: No. The Management section of the ETHICS RULE states, in part, *It is unethical for an appraiser to accept compensation for performing an assignment when it is contingent upon: the occurrence of a subsequent event directly related to the appraiser's opinions and specific to the assignment's purpose.* As with the other related prohibitions in this section of the ETHICS RULE, such contingencies are not allowed because they can inspire unethical behavior and erode public trust in professional appraisal practice.

Question: I was recently asked to review an appraisal report and limit my review to only the income approach to value. Is such a limitation acceptable?

Response: Yes. USPAP does not require the reviewer to review the entire report. Standards Rule 3-1(b) states, in part: *In developing an appraisal review, the reviewer must: identify the: (i) subject of the appraisal review assignment, (ii) date of the review, (iii) property and ownership interest appraised (if any) in the work under review, (iv) date of the work under review and the effective date of the opinion in the work under review, and (v)*

appraiser(s) who completed the work under review, unless the identity was withheld; *Comment: The subject of an appraisal review assignment may be all or part of an appraisal report, the workfile, or a combination of these.*

Question: Can an appraisal, appraisal review, or appraisal consulting assignment include more than one intended use?

Response: Yes. USPAP requires appraisers to identify the intended use of the appraiser's opinions and conclusions. There is no prohibition against having more than one intended use. However, when performing an appraisal, appraisal review, or appraisal consulting assignment with multiple intended uses, the appraiser must be very careful to clearly identify each of the intended uses of the report to limit the possibility of confusion. Additionally, the appraiser must comply with all Supplemental Standards that are applicable to the intended uses. The appraiser must also recognize that the scope of work may need to be expanded in order to provide credible results for all of the intended uses.

Question: The term Supervisory Appraiser is used in many appraisal reports, particularly residential appraisals. Does USPAP define Supervisory Appraiser?

Response: No, USPAP does not define or otherwise address this term. Supervisory Appraiser is a term that was introduced by the authors of several heavily utilized residential appraisal forms. However, it should be noted that any appraiser who signs any part of the appraisal report must also sign the certification.

Question: When reporting the results of a real property appraisal that includes a hypothetical condition, are appraisers required to report the hypothetical condition in every instance where the value conclusion is reported?

Response: Yes. Standards Rule 1-2(h) (a binding requirement) states; *In developing a real property appraisal, an appraiser must: identify any hypothetical conditions necessary in the assignment.* *Comment: A hypothetical condition may be used in an assignment only if: use of the hypothetical condition is clearly required for legal purposes, for purposes of reasonable analysis, or for purposes of comparison; use of the hypothetical condition results in a credible analysis; and the appraiser complies with the disclosure requirement's set forth in USPAP for hypothetical conditions* The corresponding

reporting requirement is found in Standards Rules 2-2(a)(viii), (b)(viii), and (c)(viii). Each of these binding Standards Rules states: **state all assumptions, hypothetical conditions, and limiting conditions that affected the analyses, opinions, and conclusions;** *Comment: Typical or ordinary assumptions and limiting conditions may be grouped together in an identified section of the report.* **An extraordinary assumption or hypothetical condition must be disclosed in conjunction with statements of each opinion or conclusion that was affected.** (Bold added for emphasis) A fundamental concept of USPAP is not to mislead the intended users of the appraisal report. Since a hypothetical condition has such an integral relationship to the value conclusion, reporting a value conclusion without that hypothetical condition could easily mislead the client and or intended users.

Question: Why are appraisers required to report the scope of work in an appraisal, appraisal review, or appraisal consulting report?

Response: Reporting the scope of work is necessary in order to avoid misleading communication. Scope of Work is defined as: *the amount and type of information researched and the analysis applied in an assignment. Scope of work includes, but is not limited to, the following: the degree to which the property is inspected or identified the extent of research into physical or economic factors that could affect the property; the extent of data research; and the type and extent of analysis applied to arrive at opinions or conclusions.* Documenting the scope of work provides the intended users with a clear understanding of the extent of the research and analysis. It also serves as protection for both the client and the appraiser by detailing things that were, and were not, done in the assignment. (It should be noted that other professions, such as engineers, have a long history of requiring the development and reporting of the scope of work in their assignments.)

Question: Can the purpose of an appraisal consulting assignment be to develop an opinion regarding the quality of another appraiser's work?

Response: No. STANDARD 4 states, in part, *An opinion of value or an opinion as to the quality of another appraiser's work cannot be the purpose of an appraisal consulting assignment. Developing an assignment for those purposes is an appraisal or an appraisal review assignment, respectively. Misrepresenting the purpose of an assignment*

performed under this STANDARD is a violation of the ETHICS RULE.

Question: May an appraiser express his or her own opinion of value in an appraisal consulting assignment, or must the appraiser use an opinion of value developed and reported by another appraiser?

Response: In an appraisal consulting assignment, an appraiser may develop and report his or her own opinion of value as part of the appraisal consulting assignment. The Comment to STANDARD 4 states, in part: *In some assignments, the opinion of value may originate from a source other than the consulting appraiser. In other assignments, the consulting appraiser may have to develop the opinion of value as a step in the analyses leading to the assignment results. An opinion of value or an opinion as to the quality of another appraiser's work cannot be the purpose of an appraisal consulting assignment. Developing an assignment for those purposes is an appraisal or an appraisal review assignment, respectively. Misrepresenting the purpose of an assignment performed under this STANDARD is a violation of the ETHICS RULE.* Additionally, if the appraiser develops an opinion of value as part of an appraisal consulting assignment, the appraisal component must be reported in conformance with the applicable sections of STANDARD 2. The Comment to Standards Rule 5-2(h) states, in part *If an opinion of value was developed by the consulting appraiser, the appraisal consulting report must include the information required to comply with Standards Rule 2-2(a) or (b)(ii) through (xi). Standards Rule 2-2(c)(ii) through (xi) is also permitted if the client is the only intended user of the assignment results.*

Question: The Conduct section of the ETHICS RULE states, in part: *An appraiser must not use or rely on unsupported conclusions relating to characteristics such as race, color, religion, national origin, gender, marital status, familial status, age, receipt of public assistance income, handicap, or an unsupported conclusion that homogeneity of such characteristics is necessary to maximize value.* Does this imply that relying on **supported** conclusions relating to characteristics such as race, color, religion is acceptable?

Response: No. One cannot infer by logical extension that using **supported** conclusions relating to characteristics such as race, color, religion, national origin, gender, marital status, age is appropriate or acceptable. Additionally, USPAP clearly recognizes that there may be

laws and/or regulations that apply to this issue. In such cases, Advisory Opinion 16 (AO-16) makes it very clear that an appraiser must be aware of, and must abide by applicable laws. Specifically, AO-16 states, in part: *In some cases, even supported conclusions in assignments relating to characteristics such as race, color, religion, national origin, gender, marital status, familial status, age, receipt of public assistance income, handicap, or group homogeneity cannot be used because they are precluded by applicable law. An appraiser must ensure that his or her appraisal, appraisal review, or appraisal consulting opinions and conclusions are impartial and objective and do not illegally discriminate or contribute to illegal discrimination through subjective or stereotypical assumptions.*

Question: Section C-4 of STATEMENT 10 (SMT-10) appears to indicate that banking regulations require written consent before an appraiser may invoke departure and prepare a Limited Appraisal. Is this a USPAP requirement?

Response: No. According to an Interagency Work Group, comprised of the Federal Reserve Board, Federal Deposit Insurance Corporation, Office of Thrift Supervision, and Office of the Comptroller of the Currency: *The agencies' appraisal regulations incorporate USPAP by reference, but do not specifically address the Departure Rule or a limited appraisal. An institution's use of a limited appraisal is addressed in the agencies' Interagency Appraisal and Evaluation Guidelines, dated October 27, 1994 (guidelines). As discussed in these guidelines, the agencies believe that institutions should be cautious in their use of a limited appraisal because it will be less thorough than a complete appraisal. An institution and appraiser must concur that invoking the Departure Rule is appropriate for the transaction. While the guidelines do not require that there be written agreement between an institution and an appraiser on the applicability of the Departure Rule to a particular appraisal assignment, the agencies believe that it is a prudent business practice for an institution to document such an agreement in writing, before the appraiser commences the appraisal assignment.*



DISCIPLINARY ACTION

Mary Ann Neill CG 446
Chapel Hill, Tennessee

Violations:

T.C.A. 62-39-326(4), 62-39-326(5), Rule 1255-5-.01

Agreed Order:

Cease and Desist preparing commercial appraisal reports until the Respondent has met the following requirements: 1) Take a course in Income I, Income II, and commercial report writing; 2) submit to the Commission a commercial report that has not been released to the public to be reviewed; and 3) the Commission must approve of the commercial report that was submitted to the Commission before the Respondent is permitted to prepare any future commercial appraisal reports.

Todd Clower LI 1850
Kingston, Tennessee

Violations:

T.C.A. 62-39-326(4), 62-39-326(5), Rule 1255-5-.01

Agreed Order:

1) Respondent's license as a State Licensed Appraiser in the State of Tennessee is suspended for a period of thirty (30) days effective December 1, 2002. 2) Civil Penalty of \$1,000.00. 3) Probation for a period of 2 years. The probation will be suspended for thirty days during the Respondent's suspension and shall begin again at the conclusion of the suspension.

Harry Danny Mabee LI 1064
Chattanooga, Tennessee

Violations:

T.C.A. 62-39-326(4), 62-39-326(5) Rule 1255-5-.01

Agreed Order:

Civil Penalty of \$1500.00 and probation of 1 year.

Tennessee Department of Commerce and Insurance Tennessee Real Estate Appraiser Report is published by the Tennessee Real Estate Appraiser Commission



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Portland

Daryl Nelkin, Vice Chairman
Sevierville

Gary Standifer, Appraiser Member
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Sam Pipkin, Appraiser Member
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Commission Meeting Dates for 2002 – 2003

October 14	Room 160
November 18	Room 640
December 9	Room 160
January 13	Room 640
February 10	Room 160
March 10	Room 160
April 14	Room 640
May 12	Room 160
June 9	Room 160
July 14	Room 640
August 11	Room 160
September 8	Room 160
October 13	Room 640
November 10	Room 160
December 8	Room 160

Please note that all meeting dates are tentative and may be cancelled at any time. Unless otherwise noted, the Commission meetings are scheduled to be held at 500 James Robertson Parkway, Nashville, Tennessee. Meetings start at 9:00a.m. the public is invited to attend. Please call the Commission office to verify that the meeting will be held on the date scheduled.

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